

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye  
Ellen Gavin  
Marshall Johnson  
Phyllis A. Reha  
Gregory Scott

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the Review of the 2001 Annual  
Automatic Adjustments for Electric and Gas  
Utilities and the Purchased Gas Adjustment

ISSUE DATE: January 9, 2003

DOCKET NO. E,G-999/AA-01-838  
G-002/AA-01-1360

ORDER APPROVING STIPULATION

**PROCEDURAL HISTORY**

On September 3, 2001, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) filed its Annual Automatic Adjustment (AAA) reports and the Purchased Gas Adjustment (PGA) true-up filing for the period July 1, 2000 to June 30, 2001.

On February 22, 2002, the Department of Commerce (DOC) filed initial comments on, among other things, Xcel's AAA report and PGA true-up. The DOC expressed concerns regarding commodity gas allocation between the Company's Agency Service and Jurisdictional sales service customers. The DOC questioned whether the cost of gas purchased for Xcel's Agency Service customers, but used by its regulated sales customers, was assigned to regulated customers at appropriate rates. In addition the DOC questioned whether balancing penalties were appropriately charged to Agency Service/transportation customers.

On April 8, 2002, Xcel Energy filed reply comments stating that its review of the process used to assign costs and revenues to the provision of Agency and Transportation services showed that the cost allocation process was appropriate.

On June 20, 2002, the DOC filed response comments recommending, among other things, that the Commission require Xcel to provide and use cost to market comparisons and allocation valuation guidelines (as described by the DOC) to demonstrate that regulated sales customers were not harmed by Xcel's FYE01 allocation of gas costs between its nonregulated Agency Service operations and its regulated system sales operations.

In subsequent comments on July 29 and September 4, 2002, Xcel further discussed the Agency Service commodity cost allocation methodology.

On October 10, 2002, the Commission met to consider the issues raised in the 2001 AAA report.

In its December 23, 2002 ORDER ADDRESSING 2001 ANNUAL AUTOMATIC ADJUSTMENT REPORT<sup>1</sup> the Commission deferred a decision on several issues related to Xcel's filing to allow the parties time for further discussions. Parties were directed to file a report by October 28, 2002, after which these issues would be taken up again by the Commission.

On October 31, 2002, Xcel filed a stipulation between the Company and the DOC regarding Agency Services.

The Commission met on December 19, 2002, to consider this matter.

## **FINDINGS AND CONCLUSIONS**

### **I. Summary of The Stipulation**

The parties agreed to a revised Agency Service commodity cost allocation methodology from that contained in the Company's 2001 AAA Report and PGA true-up filing. This revised cost allocation requires Xcel to use cost to market comparisons and commodity cost allocation guidelines to calculate the adjustment of the allocation of gas costs between its nonregulated Agency Service operations and its regulated system sales operations.

In addition the parties agreed to further adjust the allocation for: a) the value of the peaking gas supply provided to the Jurisdictional sales service for the period from November 16, 2000 to March 31, 2001, and b) the recognition of two-thirds of the Company's actual internal capacity release revenues for the 2000-2001 PGA true-up period.

The net effect of this stipulation is a disallowance of \$165,943 of commodity gas costs allocated to Jurisdictional customers in the Company's proposed 2000-2001 PGA true-up. To account for this, the Company will make a one-time adjustment to the commodity true-up account for calendar year 2002. The disallowance will be reflected in Xcel's 2002-2003 PGA true-up to be filed in September 2003.

The parties further agreed that the allocation pricing methodology discussed and agreed upon will be used to calculate future true-ups.

Finally, the parties agreed that no transportation service imbalance penalties related to the Agency Service are necessary for FYE01.

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<sup>1</sup> In the Matter of the Review of the 2001 Annual Automatic Adjustment of Charges for All Gas and Electric Utilities, Docket No. G,E-999/AA-01-838.

## **II. Commission Action**

The Commission has examined the stipulation and agrees with the parties that it resolves the remaining issues in the case, comports with the purposes and requirements of Minn. Rules, part 7825.2810 *et seq.*, and is in the public interest. The stipulation is approved.

### **ORDER**

1. The Commission approves the stipulation which includes the following:
  - Require Xcel Gas to use cost to market comparisons and allocation valuation guidelines (as described in the June 20, 2002 DOC Response Comments pages 29-30) to calculate the adjustment of the allocation of gas costs between its nonregulated Agency Service operations and its regulated system sales operations and disallow \$165,943 of commodity gas costs for 2000-01;
  - Require Xcel Gas to recalculate the true-up balance carried forward to next year (Sept 2003) to reflect the disallowance of \$165,943 of commodity gas costs for 2000-01;
  - Require that Xcel Gas use the allocation pricing methodology (as described in the June 20, 2002 DOC Response Comments pages 29-30) to calculate future true-ups until superseded by a Commission approved methodology.
  - Determine that no imbalance penalty is necessary for FYE01.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)

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